



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Countywide Fleet

*Improved Procedures and Increased
Accountability Are Needed*

July ■ 2009

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide assistance to the Board of Supervisors so they can ensure Maricopa County government is accountable to its citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

Audit Team Members

Richard Chard, CPA, Deputy County Auditor
Christina Black, CGAP, Audit Supervisor
Ronda Jamieson, CPA, Associate Auditor
Trisa Cole, CFE, Associate Auditor

Maricopa County Internal Audit
301 West Jefferson Suite 660
Phoenix, AZ 85003
(602) 506-1585

www.maricopa.gov/internal_audit

"Do the Right Things Right!"



Maricopa County

Internal Audit Department

301 West Jefferson St
Suite 660
Phx, AZ 85003-2148
Phone: 602-506-1585
Fax: 602-506-8957
www.maricopa.gov

July 20, 2009

Max W. Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We completed our FY 2009 review of Countywide Fleet in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- All Fleet assets were accounted for, but inconsistent procedures and incomplete Fleet listings remain a weakness
- Fleet purchases appear to be properly recorded
- Auction proceeds appear to be properly controlled, but procedures remain weak and inconsistent

Within this report is an executive summary, specific information on the areas reviewed, and agency responses to our recommendations. We reviewed this information with the Equipment Services Director, Department of Finance Director, and management from the agencies selected for review. We appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in dark ink, reading "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

Fleet Accountability (Page 5)

Maricopa County does not have consistent procedures to ensure Fleet listings and tracking systems are complete, timely, and reconciled. The lack of an accurate listing of Fleet assets increases the risk of theft, misuse, and inaccurate financial reporting.

The following Fleet management issues are contained within this report:

- All Fleet assets were accounted for, but inconsistent procedures and incomplete Fleet listings remain a weakness
- Fleet purchases appear to be properly recorded
- Auction proceeds appear to be properly controlled, but procedures remain weak and inconsistent

We recommend that the Departments of Finance and Equipment Services develop and implement written policies and procedures to improve Fleet asset management.

Introduction

Background

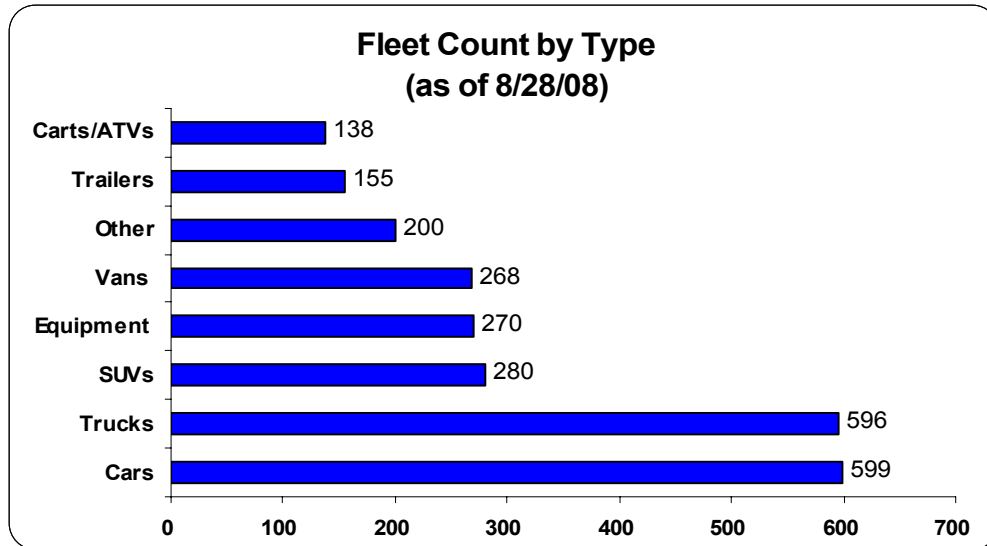
Maricopa County government serves the public in an area covering approximately 9,222 square miles. County services include a diverse array of functions encompassing public health, flood control, law enforcement, libraries, parks and recreation, courts, transportation, animal care and control, economic and community development, and elections. The County is governed by the Board of Supervisors (Board), which has a strategic goal to maintain a quality workforce and provide County employees with the tools, skills, workspace, and resources they need to do their jobs safely and well. To accomplish this goal and enable employees to effectively serve the public, adequate fleet vehicles and equipment are required.

The County's fleet (Fleet) is comprised of any vehicle or piece of equipment that has a motor and requires an operator for use, or requires a State of Arizona license. Examples include cars, trucks, golf carts, ATVs, walk-in vans, graders, backhoes, water trucks, helicopters, and boats. These assets are generally mobile and represent a substantial financial investment. The County's financial system valued total Fleet at \$83.4 million as of June 30, 2008. The fleet management system reported 2,506 vehicles and equipment, which included 639 alternative fuel (dual and bio-diesel) vehicles, representing 25.5% of the Fleet.

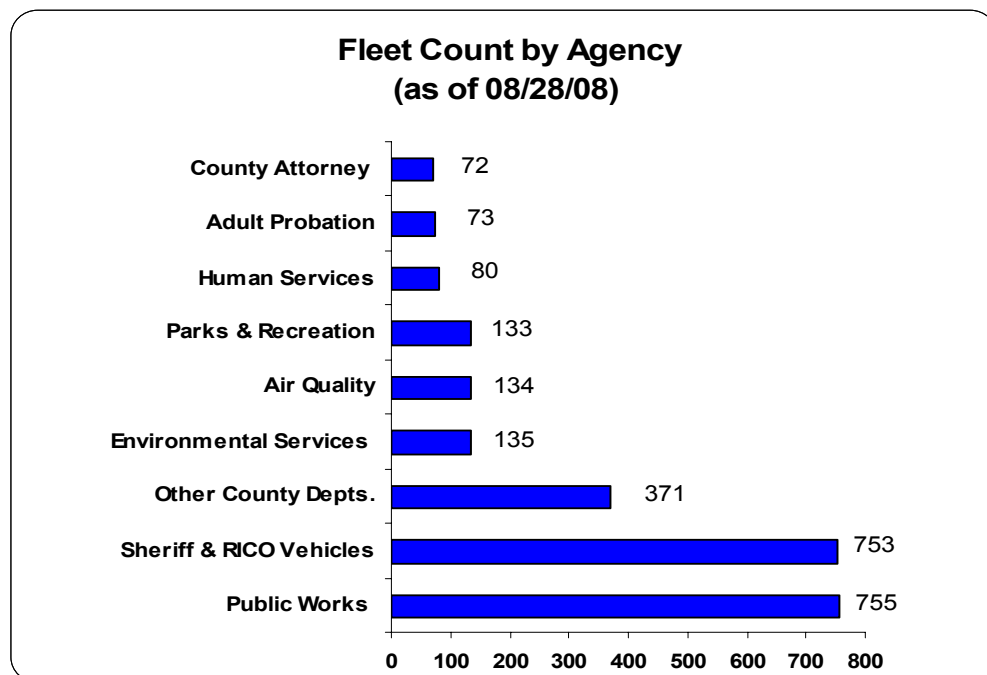
Forty-one County agencies possess fleet vehicles and/or equipment. Eleven agencies account for 85% of the Fleet. The Equipment Services Department (ES) oversees Fleet management. ES responsibilities include purchasing, preparing the vehicles for use, performing preventive

maintenance and necessary repairs, and disposing of Fleet vehicles and equipment. The Department of Finance (DOF) administers and reports Fleet assets valued at \$5,000 or more in the County financial statements.

The following charts illustrate the County's Fleet by vehicle type and agency.



Source: Equipment Services Department (prior to audit)



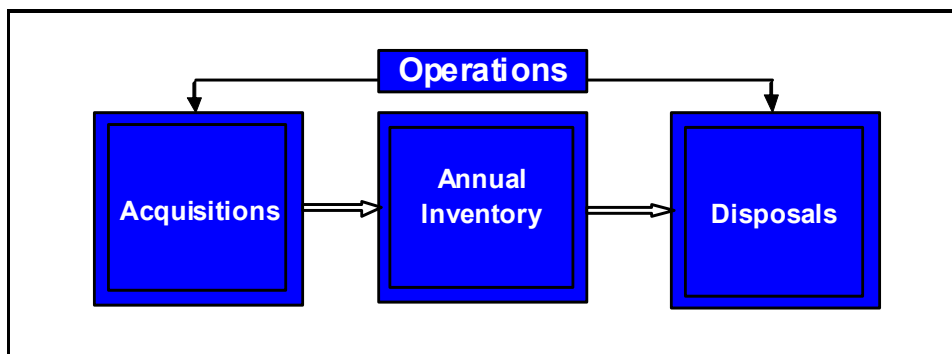
Source: Equipment Services Department (prior to audit)

Operating Budget

For fiscal year (FY) 2008, the Board approved a budget of \$13.8 million for agencies to purchase new and replacement vehicles and equipment. With the exception of Maricopa County Sheriff's Office (MCSO), ES is the only agency authorized to purchase vehicles. In addition, MCSO seizes money and assets under the Federal Racketeer Influenced and Corrupt Organizations Act (RICO). Although RICO funds are rarely used to purchase vehicles, seized vehicles are sold or retained and added to the Fleet. RICO vehicles that are added to the Fleet require Board approval and are added as one-time additions that are not replaced.

Fleet Processes

DOF administers and records the receipt, transfer, and disposal of fixed assets. However, County agencies are responsible for reporting, maintaining, and effectively using their agencies' fleets. Fleet operations include acquisitions, annual inventory, and disposals.



Acquisitions

County agencies purchase vehicles and equipment through ES by two means: (1) as an addition to their fleets, or (2) as a replacement for an existing unit of their fleets. Vendor contracts for Fleet purchases total approximately \$24.1 million.

Annual Inventory

DOF requires that agencies conduct annual inventories of their capital assets and reconcile the inventories with County records. Agency directors and managers verify, sign, and return their annual inventories to DOF.

Disposals

Fleet disposals are initiated by: (1) replacement vehicle purchase, (2) vehicle accident, (3) excess vehicles, or (4) vendor buy-back or trade-in. Under County contract, an approved vendor disposes of most Fleet vehicles and equipment at monthly auctions and remits the proceeds to the County. Vehicles involved in accidents (totaled vehicles) are sometimes sold to scrap yards. Occasionally, Fleet units ready for replacement are donated or sold to other government entities or the MCSO volunteer posse for a nominal value.

Information Technology

ES uses FASTER (fleet management system) to manage Fleet vehicles and equipment. FASTER maintains and tracks Fleet additions, disposals, vehicle repairs, and maintenance. In addition, ES uses the system for work performance information and generating monthly billings and other reports for agencies that have assigned Fleet assets. Although MCSO “deep undercover vehicles” are not tracked in FASTER, vehicles used for investigative purposes by MCSO, County Attorney, and Public Defense Services, are tracked.

DOF uses the FASS (Fixed Asset Sub-System), a module of the County’s Advantage financial system, to track vehicles and equipment for financial reporting purposes. Fixed assets that cost \$5,000 or more and have a life expectancy of more than one year are maintained in FASS. Governmental Accounting Standards require that fixed assets be reported at their acquisition value, which includes the costs necessary to bring the assets into service. Recorded costs should include legal fees, installation charges, and other related expenditures.

Scope and Methodology

Audit Objectives

The objectives of this audit were to determine if:

- Fleet is adequately recorded and safeguarded
- Fleet purchases comply with contract and payment terms; and, are justified, authorized, and accurately recorded
- Fleet disposals are monitored, reconciled, and accurately recorded in a timely manner

Audit Timeframe

We used data from fiscal years 2006, 2007, and 2008 to conduct the audit.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



**MCSO Armored Swat Truck
known as “BEAR”**

Fleet Accountability

Summary

Maricopa County does not have consistent procedures to ensure Fleet listings and tracking systems are complete, timely, and reconciled. The lack of an accurate listing of Fleet assets increases the risk of theft, misuse, and inaccurate financial reporting.

The following Fleet management issues are contained within this report:

- All Fleet assets were accounted for, but inconsistent procedures and incomplete Fleet listings remain a weakness
- Fleet purchases appear to be properly recorded
- Auction proceeds appear to be properly controlled, but procedures remain weak and inconsistent

We recommend that the Departments of Finance and Equipment Services develop and implement written policies and procedures to improve Fleet asset management.

Criteria

General Accountability Guidelines

- Maintain detailed property records
- Account for additions and disposals
- Periodically compare physical assets with fleet records and investigate differences
- Safeguard fleet assets from theft and abuse

County Policies

Equipment Services Department (ES) Responsibilities

- Manage all equipment owned and operated by the County
- Purchase all vehicles (except RICO and Jail Enhancement Fund acquisitions) and provide documentation to Department of Finance
- Provide vehicle auction documentation to Department of Finance
- Maintain fleet vehicles

Department of Finance (DOF) Responsibilities

- Record fleet purchases and donations valued at \$5,000 or more in the County financial system and ensure accurate and timely financial reporting
- Provide capital asset listings to County departments

Condition

All Fleet Assets Accounted For, but Inconsistent Procedures and Incomplete Fleet Listings Remain a Weakness

Maricopa County does not have consistent procedures in place to ensure that listings and tracking systems for Fleet vehicles and equipment are complete, timely, and systematically reconciled. DOF maintains Fleet assets on the Fixed Asset Sub-System (FASS) for financial reporting. ES maintains assets on the fleet management system (FASTER) for vehicle and equipment maintenance, billing, and tracking. DOF is only required to maintain a listing of vehicles and equipment that are valued at \$5,000 or more and have a life expectancy of more than one year. The ES tracking system should include all Fleet vehicles and equipment until disposal.

Because ES, DOF, and other County agencies have different purposes, thresholds, and processes for fleet accounting, numerous differences existed among their respective listings. We combined DOF, ES, and other agencies' fleet listings to compile a comprehensive Fleet listing. We reconciled the FASS system to the FASTER system and determined that the County has 2,643 Fleet assets: 1,989 vehicles and 654 equipment items. We verified 99% of vehicles and 83% of non-vehicle Fleet equipment from the compiled Fleet listing.

At the conclusion of our examination, we were unable to locate one piece of equipment and two vehicles. We reported these exceptions to the appropriate agency for follow-up. (Subsequent to the completion of our fieldwork, the agency reported that it had located the missing equipment and vehicles.)

Purchases Appear to be Properly Recorded, but Vehicles Are Not Always Placed in Service Timely

We selected and tested 41 Fleet additions to determine if purchases were accurately recorded in the fleet management and financial systems. We found immaterial inconsistencies totaling \$5,600. We also found insignificant errors in the acquisition dates in both systems. Based on our testing, purchases appeared to be properly recorded.

However, over the past three years, the County purchased 35 new vehicles valued at nearly \$950,000 that were not placed in service for more than a year. As of January 7, 2009, there were 32 vehicles that had been stored in the new vehicle lot for an average of 155 days, including one vehicle that had been in the lot for 651 days.



2007 Ford Expedition purchased for \$ 31,495

Repair Expenditures Appear to be Properly Recorded, but Betterment Classifications Are Not Clear

Betterments are defined in the Capital Assets Policy as an increase in the value of an asset due to an improvement made to the asset. A betterment must have a cost of \$5,000 or more. In addition, the expenditure is classified as a capital improvement if it increases the asset utility or significantly extends the useful life (e.g., a repair which increases an asset's life such as a new engine or transmission overhaul). In practice, the distinction between repairs and betterments is not always clear and may be a matter of ES judgment. However, we questioned certain expenditure classifications during our testing. The following expenditures appear to be properly recorded as repairs in the financial system but were recorded as betterments (separate assets) in FASTER.

Equip. #	Description	Cost	Reason
41807	2008 Sterling Acterra	\$87,200	Removed trailer from old asset and put on new chassis
45101G	2008 Onan Generator	\$9,200	Replaced generator on top of bus
	Total	\$96,400	

We also noted that 2 of 20 expenditures we tested appear to be coded incorrectly to repair and maintenance instead of betterments.

Equip. #	Description	Cost	Reason
F0107068	Helicopter Fox 1	\$132,400	Overhaul engine and transmission
49501	2005 Mack CV713	\$8,500	Rebuild engine
	Total	\$140,900	

Because ES is not equipped to service helicopters, they were not involved with the \$132,400 engine overhaul listed above. Maricopa County Sheriff's Office coordinated the repairs.

Auction Proceeds Appear to be Properly Controlled, but Procedures Remain Weak and Inconsistent

Of the \$308,151 in FY 2007 and FY 2008 auction transactions reviewed, no exceptions were identified concerning deposits and reconciliations. However, we found inconsistencies in recording Fleet disposals. Vehicles may be sent to auction, scrapped, or traded-in. ES, DOF, and County agencies do not monitor disposals to ensure accuracy or consistency with Fleet listings. We identified the following:

- No consistent procedures exist for notifying County agencies when vehicles are sold, which limits management's ability to monitor the disposition of Fleet assets.
- Replaced vehicles are not always sent to auction in a timely manner. Of 28 vehicles tested, 10 were not sent to auction for 200 days or more after they were replaced.

- DOF recorded some vehicles as disposals prior to the vehicles being sold. While some agencies submit their own vehicle disposal forms to DOF, others have ES submit the paperwork. This may contribute to Fleet assets being removed from DOF records before the actual disposal date.
- County agencies do not always verify that vehicles are recorded as disposals in DOF records in a timely manner.
- DOF does not always record vehicles as disposals once they are sold at auction.
- Some Fleet disposals in the ES tracking system do not appear to be recorded in the DOF financial system.

Effect

Management, accountability, and safeguarding of Fleet assets are impaired when accurate and timely fleet listings are not produced, monitored, and reconciled.

Cause

Although ES, DOF, and other County agencies have different purposes, thresholds, and processes for fleet accounting; consistent procedures are not in place to ensure that the respective fleet listings and systems are complete, timely, and systematically reconciled.

Recommendation

The Departments of Finance and Equipment Services should develop and implement written policies and procedures for reconciling Fleet assets. This should include reconciling Fleet assets with various detailed listings; automated systems; and betterments, repairs, and disposal documentation. Providing agencies with reports to monitor disposals should also be included.

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Agency Response

AUDIT RESPONSE
DEPARTMENT of FINANCE and Equipment Services
June 30, 2009

Issue #1:

Consistent procedures are not in place to ensure that fleet listings and tracking systems are complete, timely, and reconciled.

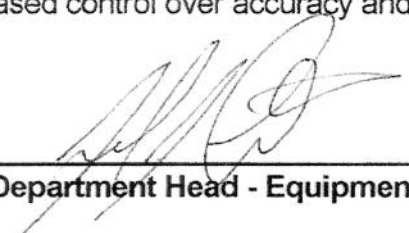
Recommendation A: Department of Finance and Equipment Services management should develop and implement written policies and procedures for reconciling Fleet assets. This should include reconciling Fleet assets between various listings, automated systems, and Fleet disposal documentation. Providing agencies with reports to monitor disposals should also be included.

Response: Concur – in process. The Department of Finance and Equipment Services have met to discuss the recommendations from Internal Audit. The departments recognize the importance of proper control over Fleet assets. The Department of Finance and Equipment Services will implement internal procedures for reconciling Fleet assets as recommended by Internal Audit.

Target Completion Date: 03/31/2010

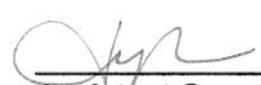
Benefits/Costs: Increased control over accuracy and accountability.

Approved By:



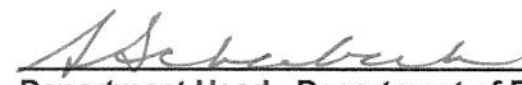
Department Head - Equipment Services

6-30-09
Date




Assistant County Manager

7-6-09
Date



Department Head - Department of Finance

7-6-09
Date



County Manager

7/15/09
Date